Greyhound Computer of Canada Ltd.

1969 Annual Report

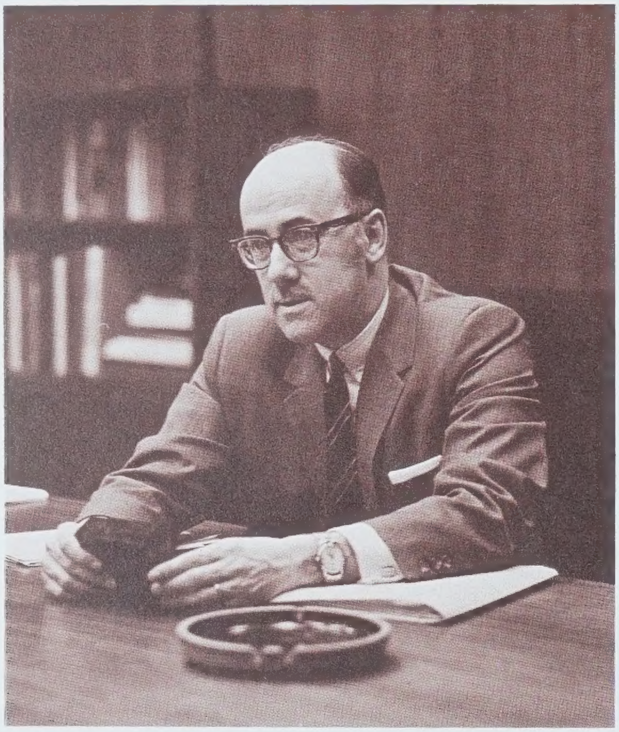
HIGHLIGHTS
for the year 1969

	For 12 months ended Dec. 31, 1969	For 5 months ended Dec. 31, 1968
Revenue	$ 3,859,431	$ 51,197
Earnings (Loss) before Provision for Deferred Income Taxes	$ 446,287	$ (45,612)
Net Earnings (Loss)	$ 223,637	$ (45,612)
Shareholders' Equity	$ 5,192,275	$ 1,997,826
Earnings (Loss) per Share	6c	(1c)
Computer Equipment Owned	$22,022,533	$ 1,786,056

DIRECTORS AND OFFICERS

Directors:	Robert L. Borden — Calgary W. Carroll Bumpers — Chicago Gordon B. Clarke — Toronto Walter S. Owen — Vancouver Ryal R. Poppa — Chicago Gerald H. Trautman — Chicago
Officers:	Gerald H. Trautman, Chairman of the Board Gordon B. Clarke, President Olie E. Swanky, Vice President Edward E. McCormack, Secretary & Treasurer
Auditors:	Touche Ross & Co., Chartered Accountants
Registrar & Transfer Agent:	The Royal Trust Company
Stock Listing:	Montreal Stock Exchange
Bankers:	Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada The Mercantile Bank of Canada
Annual Meeting:	Head Office, Toronto, Ontario May 15, 1970

REPORT TO THE SHAREHOLDERS



Gordon Clarke — President

Leasing: During 1969 your company placed on lease $20,000,000 worth of computer equipment, and thus became the foremost computer leasing company in Canada with the largest volume of IBM/360 computers on lease. At year end, our computer equipment, almost all of which consists of 3rd generation IBM/360 systems, totalled more than $22,000,000 at our cost.

During the early part of the year the company concentrated its activities primarily in the computer leasing field. The company's principal leasing customers are major corporations and Federal and Provincial government departments. Computers owned and on lease are now located from Saint John in the East to Victoria on the West Coast.

We have been most selective in our purchases of computer systems for lease and have concentrated primarily on intermediate capacity models. We believe we are in an advantageous re-marketing position in view of the widespread use of these models by users in Canada. We are continuing to be most selective in the units purchased and are lengthening the terms under which we purchase and lease back equipment to our customers.

Operating Results: Gross revenues for our first full year of operations were $3,859,431, which resulted in net income of $446,287, before taxes and extraordinary charge. After providing for deferred income taxes and this extraordinary charge, which relates to the issue of shares that was made midway through the year, our net income for the year was $223,637. This net income was achieved in spite of the continued high cost of interest, which is a significant portion of our costs, and the start-up expenses associated with new service activities. These results demonstrate a marked improvement over our first five months of operation in 1968, when a net loss of $45,612 was incurred on gross revenues of $51,197.

Financing: During the year your company changed its capital structure and became a public company. An issue of 500,000 shares, or 12.5% of the outstanding shares, was made in June, 1969. The shares of the company are listed on the Montreal Stock Exchange.

A significant portion of the company's financing has been arranged with five Chartered banks. In the case of four of the five banks, the line of credit aggregates $10,000,000. This line of credit is available under credit agreements which provide for one year revolving credit commitments. If not renewed the loans then outstanding under these agreements are then repayable over three years. The other loan is on a normal demand basis.

Other Services: As the year progressed, the company entered other computer service areas. Our entry into time-sharing was provided through telephone access to a large computer system located in the United States. This service provided our customers with remote access to a powerful computer through low cost telephone and teletype terminals located in the users' offices. During the late summer a data centre was opened in Ottawa utilizing one of the smaller IBM/360 systems owned by the company. The services offered by the data centre included key punching, contract programming, computer usage and custom data processing. Revenues from time-sharing and data centre services grew steadily but at year end still represented only a small percentage of total revenues. The company also began distribution in Canada of the GCC Model 3311 disc storage unit. This computer peripheral device is manufactured and maintained for us by the General Electric Company and it provides our customers with an alternative to the widely used IBM Model 2311 unit.

Associated Companies: It is appropriate to mention our association with The Greyhound Corporation group of companies which provides experience and financial stability. Approximately 82% of your company's stock is owned by Greyhound Computer Corporation, which is headquartered in Chicago and has branch offices in seven American cities. It is one of the largest computer leasing companies in the United States and the value of the computers owned, at cost, approaches $220,000,000. Greyhound Computer Corporation has also developed a number of other computer service areas: It now operates three large computer data centres in Chicago, San Francisco and Cleveland. It also owns Computer Personnel Consultants, a Chicago headquartered firm that specializes in personnel placement and consulting for data processing personnel. CPC now has operations in Chicago, San Francisco, Detroit and Milwaukee and plans to open several more branches during the year. During 1969 our parent company also acquired control of a large computer service organization in England. The revenues of this company are in excess of $3,500,000 and come from a variety of computer service areas—data centres, programming, consulting, personnel placement, data preparation, as well as leasing. Our parent company has also instituted a law suit against IBM in the United States, alleging that certain of its policies, practices and prices have adversely affected their computer leasing operations, and it is hoped that the results of this suit will be known by the end of 1970.

Olie Swanky — Vice President

Directors: During the latter part of the year we welcomed as a new member of the Board of Directors, Mr. Walter S. Owen, Q.C., of Vancouver.

The Board wishes to state that the successes achieved during the year were primarily a result of the dedication of a group of skilled professional computer people and we are confident that this group will be able to ensure the future success of the company.

On behalf of the Board
GORDON B. CLARKE
President & Chief Executive Officer March 25, 1970

BALANCE SHEET AS AT DECEMBER 31, 1969 (with comparative figures for 1968)

ASSETS

	1969	1968
CASH	$ 543,183	$ 11,040
RENTALS AND ACCOUNTS RECEIVABLE	212,365	28,055
RENTAL CONTRACTS IN PROCESS	–	1,470,147
COMPUTER EQUIPMENT, at cost (Notes 3 and 4)	$22,022,533	$1,786,056
Less accumulated depreciation	1,514,913	20,009
	$20,507,620	$1,766,047
OTHER ASSETS:		
Office equipment and leasehold improvements, less accumulated depreciation and amortization of $4,118 ($236, 1968)	63,674	12,176
Deposits and supplies	7,865	1,500
Organization expenses	13,250	2,229
Prepaid expenses	1,450	–
	$21,349,407	$3,291,194

See notes to financial statements.

AUDITOR'S REPORT

The Shareholders,
Greyhound Computer of Canada Ltd.

We have examined the balance sheet of Greyhound Computer of Canada Ltd. as at December 31, 1969 and the statements of income and retained income, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 9, 1970.

Touche Ross & Co.
Chartered Accountants.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
SHORT-TERM LIABILITIES:		
Demand bank loan ($2,500,000 U.S.)	$ 2,681,525	$ —
Accounts payable and accruals	380,004	9,350
Accounts payable — computer rental equipment	152,581	—
Due to Greyhound Computer Corporation (parent):		
Current account ($397,879 U.S.)	426,573	—
Note payable ($767,737 U.S.; $1,197,347 U.S. 1968)	823,482	1,284,018
Rentals received in advance	212,556	—
Current portion of long-term obligations	524,887	—
	$ 5,201,608	$1,293,368
LONG-TERM OBLIGATIONS (Note 4):		
Loans payable to banks	$ 9,400,000	—
Equipment purchase contracts, less portion due within one year included above	1,362,661	—
	$10,762,661	—
DEFFERED INCOME TAXES (Note 5)	192,863	—
SHAREHOLDERS' EQUITY:		
Capital stock, without par value (Notes 6 and 7)		
Authorized — 6,000,000 shares		
Issued and fully paid — 4,000,000 shares	$ 5,014,250	$2,043,438
Retained income (deficit)	178,025	(45,612)
	$ 5,192,275	$1,997,826
	$21,349,407	$3,291,194

See notes to financial statements.

On behalf of the Board

Gerald H. Trautman Director

G. S. Clarke Director

STATEMENT OF INCOME AND RETAINED INCOME

	For the year ended December 31, 1969	From July 19, 1968 (date of incorporation) to December 31, 1968
RENTAL INCOME AND COMPUTER SERVICE REVENUES	$3,859,431	$51,197
COSTS AND EXPENSES:		
Depreciation	1,498,787	20,009
Interest on long-term obligations	712,431	—
Other interest	411,653	—
Selling, general and administrative	790,273	76,800
	3,413,144	96,809
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY CHARGE	446,287	(45,612)
PROVISION FOR DEFERRED INCOME TAXES (Note 5)	208,353	—
INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	237,934	(45,612)
SHARE ISSUE EXPENSES, less related income taxes of $15,490	14,297	—
NET INCOME (LOSS)	223,637	(45,612)
RETAINED INCOME, JANUARY 1	(45,612)	—
RETAINED INCOME, DECEMBER 31	$ 178,025	($45,612)

See notes to financial statements.

STATEMENT OF SOURCE AND USE OF FUNDS

	For the year ended December 31, 1969	From July 19, 1968 (date of incorporation) to December 31, 1968
SOURCE OF FUNDS:		
From operations (see below)	$ 1,915,287	$ —
Proceeds from sale of shares	2,970,812	2,043,438
Borrowings from parent company	3,139,464	1,284,018
Bank borrowings (net)	12,081,525	—
Equipment purchase contracts	1,887,548	—
Increase in accounts payable and accruals	949,808	9,350
Rentals received in advance	212,556	—
	$23,157,000	$3,336,806
USE OF FUNDS:		
For operations (see below)	$ —	$ 25,603
Purchase of computer equipment	18,766,330	3,256,203
Repayment of borrowings form parent company	3,600,000	—
Increase in receivables and other assets (net)	258,527	43,960
	22,624,857	3,325,766
INCREASE IN CASH	$ 532,143	$ 11,040
FUNDS FROM (FOR) OPERATIONS:		
Net income (loss)	$ 223,637	($ 45,612)
Add charges not requiring use of funds:		
Provision for depreciation and amortization	1,498,787	20,009
Provision for deferred income taxes (net)	192,863	—
Funds from (for) operations	$ 1,915,287	($ 25,603)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. **ACCOUNTING METHODS:**
Computer equipment rentals under lease contracts are recorded as income on a monthly basis. Lease acquisition costs are charged to expense when incurred.

2. **FOREIGN EXCHANGE CONVERSION:**
Assets and liabilities in United States funds have been converted to Canadian dollars at the exchange rate prevailing at December 31, 1969.

3. **COMPUTER EQUIPMENT AND RELATED LEASE CONTRACTS:**
The following is an analysis of computer equipment, at cost:

	1969	1968
IBM computer rental equipment	$21,474,433	$1,786,056
Other computer equipment	548,100	–
	$22,022,533	$1,786,056

All IBM computer rental equipment is System/360 and its cost is depreciated on a straight-line basis over a ten year period with a residual value of 10% of cost. Most leases are for non-cancellable terms of one to three years, and lease payments over the non-cancellable terms are less than the Company's investment in the related computer equipment. At December 31, 1969 future rentals receivable during the non-cancellable term of leases amounted to approximately $4,700,000.

Other computer equipment consists of an IBM System/360 Model 30 computer used in the Company's data centre, terminal equipment used in the Company's time-sharing business and disk storage units for rental and resale. The computer and terminals are depreciated on the same basis as computer rental equipment. The disk storage units are depreciated on a straight-line basis over a six year period with a residual value of 10% of cost.

In the opinion of management, existing leases will be renewed at the end of the present lease periods, or the related assets will be sold or re-leased at amounts sufficient to recover the remaining carrying value.

4. **LONG-TERM OBLIGATIONS:**
Loans payable to banks, guaranteed by the parent company, are subject to revolving credit agreements aggregating $10,000,000 with an interest rate of 1/2 of 1% in excess of the Canadian prime bank rate. As long as the Company maintains the required borrowing base no repayment is required; accordingly, no portion of the loans is classified as currently payable at December 31, 1969. However, indebtedness to any or all such banks not renewed by May 31, the annual renewal date, or not covered by continuing guarantees by the parent, becomes payable to such bank or banks over a term of three years.

The Company has contracted in each of the revolving credit agreements that it will grant security, at the request of the banks, on its computer equipment or leases and that it will not otherwise encumber its computer equipment (other than by purchase money mortgages) or leases in Canada.

Equipment purchase contracts are payable over four years with interest rates varying from 8 1/2% to 10%. Title to equipment with a net book value of approximately $2,600,000 is retained by the vendor until the purchase price is fully paid. Annual principal instalments on equipment purchase contracts during each of the four years following December 31, 1969 are $524,887, $507,743, $556,052, and $298,866 respectively.

5. **DEFERRED INCOME TAXES:**
For income tax purposes depreciation is reported on a basis different from the financial reporting basis. As a result, income taxes are not currently payable. Provision has been made for deferred income taxes relating to timing differences between depreciation reported for income tax purposes and the depreciation shown by the financial statements.

The provision for deferred income texes for the year ended December 31, 1969 reflects a tax reduction of $23,700 resulting from the recorded loss carried forward from 1968.

6. **CAPITAL STOCK:**
By Supplementary Letters Patent dated April 30, 1969 the authorized capital was reduced by cancelling 1,250,000 authorized and unissued shares; the remaining 3,750,000 authorized and the 2,187,500 issued shares were subdivided on the basis of 1.60 shares for each share then authorized or issued, and the Company was converted into a public company.

During the year calls on 55,000 shares issued and 25% paid in 1968 (88,000 new shares) were paid aggregating $51,562, and 678,400 shares were issued and fully paid for an aggregate cash consideration of $2,919,250.

7. **STOCK OPTION PLAN:**
Under the Company's Incentive Stock Option Plan, 150,000 shares of the Company's capital stock have been reserved for purchase by officers and key employees of the Company and its related corporations. The price per share at which the options to purchase these shares may be exercised is the market price on the dates of granting of the options. Options become exercisable in four equal annual instalments commencing one year after the dates granted, and expire five years from the dates granted. As at December 31, 1969 the following options to purchase shares had been granted:

	$6.00 per share	$5.25 per share
Directors and officers of the Company	5,000	–
Key employees of the Company	8,000	4,000

8. **COMMITMENTS:**
At December 31, 1969 the Company had entered into commitments to purchase computer rental equipment at a cost of approximately $200,000.

The Company has contractual obligations in respect of long-term leases of real property aggregating $119,447, $101,606, $98,038, $98,038, and $98,038 respectively for the five years following December 31, 1969.

9. **REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:**
The total remuneration received from the Company by directors and senior officers during the year ended December 31, 1969 was $120,067 including $36,373 received by directors as directors and officers.

Head Office:	Greyhound Computer Building 65 Adelaide Street East Toronto 1, Ontario
Ottawa Office:	Greyhound Computer Building 1740 Woodward Drive Ottawa 5, Ontario
Montreal Office:	1001 Place du Canada Montreal 101, Quebec

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

File

New Issue

Greyhound Computer of Canada Ltd.

500,000 Shares

(without par value)

The 500,000 shares offered by this prospectus are authorized but unissued shares being acquired from the Company.

There is no market for the shares of the Company and the offering price was determined by negotiation between the Company and the Underwriter.

These securities are speculative. Reference is made to page 4 under the heading "Introduction", to page 7 under the heading "Competition" and to page 11 under the heading "Dilution". The operating results to date are not sufficient to permit a comprehensive assessment of the profitability of the Company.

Price: $6.00 per share

	Price to public	Underwriting discount	Proceeds to Company*
Per Share	$ 6.00	$ 0.42	$ 5.58
Total	$3,000,000	$210,000	$2,790,000

*Before deduction of expenses of issue estimated at $25,000.

We, as principals, offer these shares subject to prior sale, if, as and when delivered and accepted by us. Subscriptions will be received subject to rejection or allotment in whole or part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery on or about July 2, 1969.

Greenshields Incorporated

June 17, 1969

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The Company

Greyhound Computer of Canada Ltd. (the "Company") was incorporated under the laws of Canada on July 19, 1968. By Supplementary Letters Patent dated April 30, 1969, the authorized capital was decreased from 5,000,000 to 3,750,000 shares without par value, each of the authorized and issued shares was subdivided into 1.60 shares and the Company was converted into a public company. The Company is now engaged in the business of leasing computer equipment to others and selling computer time.

The Company is a subsidiary of Greyhound Computer Corporation, which in turn is part of The Greyhound Corporation group of companies. Greyhound Computer Corporation, an American firm engaged in the leasing of computer equipment and in providing other computer services, may be considered as the promoter of the Company. No amount has been paid or is intended to be paid to Greyhound Computer Corporation as promoter.

The Company's head office and principal place of business is located in leased premises at 44 King Street West, Toronto, Ontario.

Use of Proceeds

The estimated net proceeds to be derived by the Company from the sale of the 500,000 shares offered by this prospectus, amounting to $2,765,000 after payment of expenses of issue estimated at $25,000, will be used to finance the purchase of computer equipment for lease to others. Pending such purchases, the Company will use the net proceeds to reduce temporarily outstanding bank borrowings incurred in the course of its leasing business.

Under the terms of the Company's credit arrangements with its bankers, the Company has available to it lines of credit aggregating $12,500,000. It is anticipated that the Company will incur additional indebtedness to finance additional computer equipment purchases, but the exact nature, amount and timing of such financing, have not yet been determined. Reference is made to the heading "Financing Equipment Purchases".

Capitalization

	Outstanding at April 30, 1969	To be Outstanding upon completion of this financing
LONG-TERM OBLIGATIONS (1)		
Loans payable to banks	$6,200,000	$5,935,000
Equipment purchase contracts	$1,115,336	$1,115,336
CAPITAL STOCK (2)		
Authorized 6,000,000 shares without par value		
Issued and fully paid		
Shares	3,500,000	4,000,000
Amount	$2,224,250	$5,014,250

NOTES:

(1) Reference is made to Note 5 to the Financial Statements for particulars of the respective priorities of such obligations.

(2) 150,000 shares are reserved for the granting of stock options referred to under the heading "Stock Options" and also in Note 8 to the Financial Statements.

(3) See Note 10 to the Financial Statements for long term lease commitments.

History

The Company was formed by Greyhound Computer Corporation in July 1968 and commenced operations in September of that year. The decision to establish a Canadian firm in this field was based on experience by The Greyhound Corporation group of companies in the United States and Canada. In 1962 The Greyhound Corporation group of companies, until then primarily engaged in the transporta-

tion business, inaugurated a diversification programme by entering the leasing business through the acquisition of a leasing company, now Greyhound Leasing & Financial Corporation. In 1966 Greyhound Leasing & Financial Corporation formed a subsidiary, now Greyhound Computer Corporation, which took over the computer leases of Greyhound Leasing & Financial Corporation and which is now one of the world's largest third party computer lessors. A "third party lessor" is a lessor, other than the manufacturer, who leases equipment to the user.

In addition to computer leasing, the Company's parent, Greyhound Computer Corporation, directly, or through subsidiaries in the United States and in the United Kingdom, is involved in the following aspects of the computer industry: (a) time-sharing, (b) data centre facilities, (c) distribution of computer peripheral equipment (input and output devices), (d) applications development, consulting and project management, implementation of computer programmes and systems, (e) data preparation and (f) computer personnel placement. The Company was formed to carry out these and related functions in Canada.

Description of Business

Introduction

At the present time the income of the Company is largely derived from computer leasing, but it fully intends to broaden its activities to encompass the other aspects of the computer industry in which its parent is already engaged as mentioned above. There are a number of factors relating to the computer equipment leasing business which should be considered by a prospective purchaser of the securities being offered. These factors include: (a) uncertainty as to the economic life of computers in view of the development of computer technology, (b) the Company's practice of writing computer leases for periods of time which do not provide for the full recovery of the cost of such equipment and related outlays during the non-cancellable term of such leases, (c) the Company's dependence for expansion on the availability of future financing on favourable terms, and (d) competitive conditions in the industry, including the present and future policies of IBM Canada Ltd. ("IBM") regarding sales and service of equipment, rental charges for leasing its equipment and support services offered to its customers.

Computer Leasing

The Company is engaged primarily in the business of acquiring and leasing electronic data processing systems, commonly known as computers. Such equipment is purchased by the Company either from computer manufacturers or from the users and, in turn, is leased by the Company to the users, usually at rates lower than those charged by the computer manufacturers. It is believed that approximately 85% of the users of IBM computer equipment rent such equipment rather than buy it. Renting computer equipment allows users to conserve their own funds, to maintain flexibility in the event the equipment does not meet their needs or they later require more advanced equipment, and to avoid possible obsolescence. Recently, many IBM users have entered into lease agreements with third party lessors in order to take advantage of lower rentals, unlimited usage privileges without additional rental cost, and the opportunity to achieve a degree of independence from the manufacturer by establishing a second source of supply. The Company believes it is the largest third party computer lessor in Canada. The Company does not manufacture any of its own equipment and does not provide at the present time any maintenance or programming services. The Company's principal market lies with established users of computers such as major corporations and governments. As of April 30, 1969 all of the Company's lessees were located in Canada.

IBM

IBM is in the business of manufacturing, selling and leasing computer equipment as well as providing related services. At present IBM offers to sell computer equipment at a price having a reasonable economic relationship to its rental charges for the same equipment. IBM does not currently grant any reduction in the selling price of equipment based upon its age, but those users who elect to purchase their equipment after its installation usually obtain a credit against the purchase price of approximately 1% of the purchase

price for each month that the equipment has been installed and on continuous rental, up to a maximum of 12 months (up to 24 months in the case of certain government accounts). In cases where the Company purchases equipment from such users, it has usually been able to obtain the benefit of this credit in the form of a lower purchase cost. IBM also offers to provide to persons who purchase computer equipment the same services which it provides to those persons who rent such equipment. Changes in rental rates, sales prices or servicing policies by IBM could materially affect the Company's development of lease proposals or the profitability of re-leasing or selling equipment presently owned. IBM's parent company, International Business Machines Corporation, has announced that by July 1, 1969 it expects to make changes in the way it charges for and supports its data processing equipment.

Operating Leases

Operating leases are leases which will return to the lessor less than the cost of the equipment, including financing and other expenses, during the non-cancellable term of the lease. All of the Company's leases written to date are operating leases and have terms that range from one year to six years. Most leases with terms of three years and over are terminable within one to three years upon payment of cancellation fees. Most of the Company's leases for IBM System/360 computers provide for rents equal to a stated percentage of the rentals being charged by IBM for such equipment, and in the event of an increase or decrease in IBM rentals, the rentals under such leases will be automatically increased or decreased proportionately. The Company's leases are renewable by the lessee for an indefinite period of time and in some cases there is a reduction in the rentals for the renewal term.

At present the Company is leasing its IBM System/360 computer equipment at rental rates which will return to the Company in approximately five to six years the cost of acquiring, leasing and insuring the equipment, including the anticipated costs of financing the purchase of such equipment, but excluding the Company's general and administrative expenses.

Recovery of the costs to the Company of acquiring, leasing, insuring and financing computer equipment is dependent on renewing original leases, leasing to other users, or selling such equipment at prices sufficient to cover that portion of costs not recovered through rentals. All computer equipment owned by the Company at April 30, 1969 is presently on lease, and, to date, no leases have expired. No assurance can be given that at the time of lease expirations the Company will be able to re-lease or sell its equipment for amounts sufficient to recover the undepreciated cost of such equipment.

As of April 30, 1969 all of the computer equipment owned and leased by the Company consisted of IBM System/360 third generation computer equipment, which is more fully described under the heading "Computer Equipment". The reason for the concentration of the Company's leasing business on IBM equipment is due to the large percentage (estimated to be between 70% and 80%) of the computer market which IBM enjoys, thus providing better re-leasing opportunities.

Full-Payout Leases

Full-payout leases are leases in which the rental payments provided for under the lease are at least sufficient to return to the lessor the cost of the equipment, including financing and other expenses. It is the present policy of the Company to lease non-IBM and certain models of IBM equipment only on a full-payout basis. No such leases have been written to date.

Computer Equipment

The Company's computer equipment at April 30, 1969 consisted of more than 20 computer systems acquired by the Company for an original cost of $17,051,572. In addition, the Company had firm commitments to purchase and lease computer equipment over the next few months at a purchase cost of approximately $1,300,000. The acquisition costs of such systems have ranged from approximately $300,000 to more than $3,000,000. It is the policy of the Company to acquire computer equipment only after receiving lease commitments.

System/360 is the major product currently marketed by IBM and is by far the most widely accepted computer equipment in existence. System/360 comprises a full range of equipment to meet the needs of

both the small and the large user. This equipment is modular in design, allowing various units to be readily moved from one user to another. It is the opinion of the Company that System/360 will have the longest useful life of any computer equipment yet available.

Equipment Maintenance

Equipment leased by the Company to users is maintained by the manufacturer in accordance with the terms of a maintenance agreement, in most cases, at the user's expense. In a few cases, however, this expense is borne by the Company and the rental rate charged to the customer is correspondingly higher. It is IBM's present policy to maintain, repair and offer to sell replacement parts for its equipment at reasonable and non-discriminatory prices and terms, without regard to ownership of such equipment.

Customers

The Company's principal leasing customers are major corporations and governments which are established users of computers and include:

A. C. Nielsen Company of Canada Limited
Avon Products of Canada, Limited
Canadian Forest Products Ltd.
Computing Devices of Canada Limited
DuPont of Canada Limited
The T. Eaton Company Limited
Government of Canada
Government of Ontario
Home Oil Company Limited
Litton Systems (Canada) Limited
M. Loeb Limited
Merck Frosst Laboratories
Minnesota Mining and Manufacturing of Canada Limited
New Brunswick Telephone Company, Limited
The Prudential Insurance Company of America
Robin Hood Flour Mills Limited
Shell Canada Limited
Sun Oil Company Limited

Financing Equipment Purchases

The Company's sources of funds for the acquisition of computer equipment consist of equity capital, borrowings and cash flow from operations. At the present time the Company operates under lines of credit aggregating $12,500,000. Of this amount, $10,000,000 is available under credit agreements with four Canadian chartered banks, for which commitment fees are paid. The four banks share rateably with respect to availments under the credit and repayments. These agreements provide for one year revolving credit commitments and, if not renewed, the loans are repayable in 36 equal monthly instalments. The annual renewal date is May 31 and to date two of the banks have renewed and although officials of the other two banks have indicated that such renewals will be forthcoming confirmations have not yet been received. In addition to the credit agreements referred to above, the Company also has a demand loan of $2,500,000 with another Canadian chartered bank. All bank loans are guaranteed by the parent company, Greyhound Computer Corporation.

The Company, at April 30, 1969, was indebted to its parent, Greyhound Computer Corporation, in the amount of $4,400,000. This indebtedness is in the form of notes payable ninety (90) days after demand at an interest rate of ½ of 1% over the prime rate charged to the parent from time to time by its principal banker. The Company may prepay these notes at any time without penalty.

The Company's ability to expand its leasing operations will depend largely on the availability of borrowed capital, including financing by manufacturers of computer purchases. The Company anticipates that the increase in the equity capital resulting from this issue should enable it to increase its borrowings; however, there are no present arrangements for obtaining such additional funds.

Other Computer Services

Time-Sharing

The Company has recently initiated a computer time-sharing service in Canada using multiple General Electric Model 420 time-sharing computers located in Chicago, Illinois at Greyhound Time-

Sharing Corporation, a subsidiary of Greyhound Computer Corporation. Pursuant to a time-sharing agreement dated April 24, 1969, Greyhound Time-Sharing Corporation provides the Company with access to these computers at a cost of $5,000 (U.S.) per month plus expenses. In addition, the Company acts as the marketing outlet in Canada for a time-sharing service using an IBM Model 360/67 computer facility owned by a third party in the United States. Time-sharing is a technique which allows a number of users to share concurrently the use of a central computer facility by means of remote terminals.

The Company hopes to develop a viable time-sharing business and to offer additional services to a wide variety of customers. The Company has placed an order with IBM to rent a special System/360 Model 50 computer which is equipped with devices to facilitate large scale time-sharing utilizing the new "CALL/360" programming system. It is expected that this equipment will be available late in 1969. No assurance can be given that the Company will be able to develop its time-sharing business so as to make profitable utilization of such system.

Data Centres

Plans are proceeding on schedule to open in July 1969 the Company's first data centre in approximately 7,000 square feet of leased premises in Ottawa. The initial installation will be based upon an IBM 360 Model 30 computer which is presently leased to a customer of the Company and is expected to become available in July 1969. It is the intention of the Company to open data centres in several locations in Canada as opportunities arise and eventually to have a computer network across the nation.

Distribution of Computer Peripheral Devices

The Company is presently distributing in Canada the GCC Model 3311 Disk Storage Unit, which is manufactured for Greyhound Computer Corporation by General Electric Company. This unit provides customers with an alternative to the IBM System/360 Model 2311 Disk Drive. Negotiations are now taking place with Canadian General Electric Company Limited to have it provide maintenance services for such disk storage units. It is anticipated that additional peripheral equipment (of manufacturers other than IBM) such as magnetic tape units, card readers and punches, key entry devices, video consoles, terminals and other related devices will eventually be marketed.

Project Management

The Company intends to form a project management group consisting of experienced computer and consulting professionals. The role of this group will be to develop applications packages, to design and implement computer programmes and systems, and to carry out consulting work related to computers.

Personnel Placement

Future plans also include the formation of a group to provide a professional personnel placement service to the data processing community.

Competition

In a broad sense, the Company competes in the operating lease area with IBM (the dominant factor in the industry), with other equipment manufacturers and with leasing companies which lease virtually every kind of equipment, including computer equipment. In a more specific and direct sense it competes with other lessors which specialize in leasing computer equipment under substantially the same arrangements as those provided by the Company. Competitive conditions in the industry require the Company to charge lower equipment rental rates than those of IBM.

Greyhound Leasing & Financial Corporation has a wholly owned subsidiary in Canada, Greyhound Leasing & Financial of Canada, Ltd. ("Greyhound Leasing"), which has operated in the field of general industrial and commercial equipment leasing since 1963. By agreement dated April 24, 1969 Greyhound Leasing and the Company have agreed that for a period of ten years Greyhound Leasing will not lease computer equipment except under a payout lease which the Company has declined to make and the Com-

pany will not lease equipment other than computer equipment without first offering the lease to Greyhound Leasing. The agreement defines a payout lease as a lease whereby the rentals during the initial non-cancellable term of the lease are sufficient to return to the lessor the cost of acquiring and leasing the equipment, including the anticipated costs of financing the purchase of such equipment calculated at 8% per annum, but excluding the lessor's general and administrative expenses. This agreement may not be amended or terminated without the consent of Greenshields Incorporated.

In areas other than leasing, the Company faces competition from large and well-established firms.

Supported by the experience, financial stability, reputation and ability of The Greyhound Corporation group of companies, the Company believes that it can compete effectively in these markets.

Management

Key Employees

Gordon Bradshaw Clarke, B.Com., C.A.—President

Mr. Clarke joined Dow Brewery Limited in 1955 and successively held the positions of Controller, Treasurer, Secretary-Treasurer and Director of Finance. In 1966 he joined a Canadian chartered bank as Comptroller and was appointed Vice-President and Comptroller in 1967.

Oscar Edward Swanky, B.Com.—Vice-President

Mr. Swanky joined IBM in 1958 and during the next ten years acquired diversified sales and management experience. In Toronto he was involved in sales and applications work for manufacturing and distribution industries. In Ottawa he gained experience in medical and financial data processing and later he was promoted to manager in charge of several of IBM's largest government accounts. More recently in marketing management he was responsible for new business development in Montreal.

Edward Emil McCormack, B.Com., C.A.—Treasurer

Mr. McCormack was employed from 1961 to 1966 by Price Waterhouse & Co., Chartered Accountants, and became a Chartered Accountant in 1966. He held executive positions with Aersol Packaging Limited from 1966 to 1968, including that of Secretary-Treasurer, and joined General Foods, Limited in 1968 as Supervisor of Financial Planning & Analysis.

Robert James Kelly, B.Sc.—Director, Data Services

Mr. Kelly joined Computing Devices of Canada Ltd. in 1965 as an Applications Analyst. In this capacity he was responsible for the installation of the Control Data 3100 at the Bedford Institute of Oceanography and the maintenance of all programming systems. In 1966 he joined the University of Ottawa Computer Centre with systems responsibility. With the installation of the IBM 360 Model 65 he was promoted to Computer Installation Manager, with responsibility for systems, operations, data control and preparation.

Glen Wilfred Langdon, B.Com.—District Marketing Manager

Mr. Langdon joined Canadian-Dominion Leasing Corporation Limited, a general equipment leasing company, in 1965 and held various management positions, latterly as Regional Manager—Central Canadian Region. Mr. Langdon was involved with financial (full-payout) leases for computer systems and related peripheral equipment.

William Donald Maunder, B.Sc.—District Marketing Manager

Mr. Maunder joined IBM in 1961 and acted as adviser to customers on installation planning. He was responsible for marketing a new line of computer-oriented industrial products and various data processing and computer systems.

Directors and Officers

The names, home addresses, positions held with the Company and principal occupations within the five preceding years, of the directors and officers of the Company are as follows:

Name and Address	Positions Held	Principal Occupation
GERALD HOUGH TRAUTMAN 105 East Delaware Place Chicago, Illinois	Chairman and Director	President, The Greyhound Corporation
GORDON BRADSHAW CLARKE 205 Davisville Avenue Toronto, Ontario	President, Chief Executive Officer and Director	President, Greyhound Computer of Canada Ltd.
OSCAR EDWARD SWANKY 1400 Lakeshore Road East Oakville, Ontario	Vice President	Vice President, Greyhound Computer of Canada Ltd.
EDWARD EMIL MCCORMACK 269 Soudan Avenue Toronto, Ontario	Treasurer	Treasurer, Greyhound Computer of Canada Ltd.
RUPERT FREDERICK RIGHTON 65 Alamosa Drive Willowdale, Ontario	Secretary	Partner, Shibley, Righton & McCutcheon
WILLIAM ALEXANDER ROEVER 1256 Greenwood Avenue Deerfield, Illinois	Assistant Secretary	Assistant Secretary, Greyhound Leasing & Financial Corporation
DAVID RICHARD TEVERSHAM 125 Shaughnessy Blvd. Willowdale, Ontario	Assistant Secretary	Assistant Secretary, Greyhound Leasing & Financial of Canada, Ltd.
ROBERT LIONEL BORDEN 215 Eagle Ridge Drive Calgary, Alberta	Director	President, Greyhound Lines of Canada Ltd.
WILLIAM CARROLL BUMPERS 1290 Forest Glen North Winnetka, Illinois	Director	President, Greyhound Leasing & Financial Corporation
JAMES STENSETH CAMPBELL 497 South Douglas Drive Lake Forest, Illinois	Director	President, Greyhound Computer Corporation
HOWARD NOEL CRAWFORD 21 Dale Avenue Toronto, Ontario	Director	President, Greyhound Leasing & Financial of Canada, Ltd.
JOHN HENDERSON MOORE Dalmagary R.R. 3, London, Ontario	Director	Chairman and President, John Labatt, Ltd.

The principal occupations during the last five years of Messrs. Clarke, Swanky and McCormack are set forth under the heading "Key Employees". The only other directors and officers who have not been associated with the companies or firms opposite their names in either the position shown or other executive capacities are:

Gerald Hough Trautman—who, prior to joining The Greyhound Corporation in 1966, was a partner in the legal firm of McCutchen, Doyle, Brown, Trautman and Enersen in San Francisco.

David Richard Teversham—who, prior to joining Greyhound Leasing & Financial of Canada, Ltd. in 1967, held managerial positions with Avco-Delta Corporation (Canada) Ltd. from 1965 to 1967, and with Canadian Acceptance Corporation Limited prior to that.

James Stenseth Campbell—who, prior to joining Greyhound Computer Corporation in 1967, held several executive posts in marketing and product development with International Business Machines Corporation in the United States.

Remuneration

The aggregate remuneration paid or payable by the Company to the directors and senior officers of the Company for the period from the date of incorporation to December 31, 1968 was $27,142 and for the period from January 1, 1969 to April 30, 1969 was $45,060.

Shareholders

Name and Address	Type of Ownership	April 30, 1969 Shares Owned	April 30, 1969 Per Cent	After this Financing Shares Owned	After this Financing Per Cent
Greyhound Computer Corporation, Chicago, Illinois*	Record and Beneficial	3,270,800	93.5	3,270,800	81.8
Directors and Senior Officers as a group*	Record and Beneficial	144,400	4.1	144,400	3.6
Other employees of the Company and affiliates as a group	Record and Beneficial	84,800	2.4	84,800	2.1
Public	—	—	—	500,000	12.5
		3,500,000	100.0	4,000,000	100.0

*Greyhound Computer Corporation is a subsidiary of Greyhound Leasing and Financial Corporation which in turn is a subsidiary of The Greyhound Corporation. 56 of the shares beneficially owned by Greyhound Computer Corporation are registered in the names of directors of the Company.

3,270,744 shares of the Company owned by Greyhound Computer Corporation will be held in escrow pursuant to an agreement dated June 17, 1969 between Greyhound Computer Corporation, the Company and The Royal Trust Company as escrow agent. The agreement provides that the escrowed shares may not be released, transferred, hypothecated or otherwise alienated without the prior written consent of the Ontario Securities Commission and the Quebec Securities Commission.

Pursuant to an agreement dated June 17, 1969 with Greenshields Incorporated, Greyhound Computer Corporation has agreed that during the period of primary distribution of the shares offered by this prospectus and until the earlier of June 17, 1979 or until the Company has earned in any fiscal year $5,000,000 after expenses of every kind, other than taxes on income, as determined by the auditors of the Company in accordance with generally accepted accounting practices, it will not, without the prior written consent of Greenshields Incorporated permit its beneficial ownership of the issued shares of the Company to be less than that number of shares required to elect at all times a majority of the directors of the Company and effectively to control the Company.

As a group the directors and senior officers of the Company own, of record and beneficially, .004% of the shares of Greyhound Computer Corporation, both as at April 30, 1969 and after this financing.

Shareholders' Agreement

By agreement among the present shareholders of the Company, any transfer or pledge of shares now owned by any director, officer or employee of the Company or employee of an affiliate is prohibited for a two-year period after the date of his election to the board of directors of the Company, or the date of his employment by the Company or the date of issuance of the shares, whichever is earlier. Such shareholder may dispose of 25% of his holdings after two years, and 25% each year thereafter, on a cumulative basis.

Details of the Offering

Description of the Shares

The capital stock of the Company consists of shares without par value of the class being offered by this prospectus. These shares are entitled to dividends as and when declared by the Board of Directors, are entitled to one vote per share, have no pre-emptive or conversion rights, and are entitled upon liquidation to receive pro rata such assets of the Company as are distributable to holders of such shares. The outstanding shares are, and the shares hereby offered will be, fully paid and non-assessable.

Non-Cumulative Voting

The holders of the shares have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect all the directors if they so choose and, in such event, the holders of the remaining shares will not be able to elect any directors.

Dividends

To date the Company has not paid any dividends and it does not have any present plans to pay dividends in the near future.

Underwriting

The Company, under date of June 17, 1969, entered into an agreement (the "Underwriting Agreement") with Greenshields Incorporated (the "Underwriter") whereby the Company agreed to issue and sell 500,000 common shares and the Underwriter agreed to purchase all such shares (being the shares offered by this prospectus) at a price of $5.58 per share, payable in cash against delivery at a closing to be held on or about July 2, 1969, upon and subject to the terms and conditions set out in the Underwriting Agreement.

The Underwriting Agreement provides that the Underwriter is obliged to take up and pay for all the shares offered by this prospectus if any of the said shares are taken up. The said shares will be offered to the public in Canada where they lawfully may be offered by the Underwriter and other registered dealers and brokers.

Prior Sales

Within the twelve months preceding the date hereof, shares of the Company have been issued to Greyhound Computer Corporation, to certain directors, officers and employees of the Company and to certain employees of affiliates as follows:

Number of Shares	Price per Share
3,264,800	$0.625
235,200	$0.781

Stock Options

Under the Company's Incentive Stock Option Plan dated April 24, 1969, 150,000 authorized but unissued shares of the Company have been reserved for purchase by key officers and employees of the Company, its subsidiaries, if any, and its parents. The price at which the options may be exercised shall be 100% of the market value of such shares at the time the option is granted. The period for exercising an option shall be the period beginning one year and ending five years from the date on which the option is granted with 25% of the option eligible to be exercised one year from the date of grant and a further 25% in each successive year on a cumulative basis. No options have been granted to date.

Dilution

According to the consolidated balance sheet and pro forma consolidated balance sheet of the Company as at April 30, 1969, the net tangible book value of the Company's shares before and after the issue of the 500,000 shares offered by this prospectus is as follows:

	Net tangible book value per share
Before financing.............	$0.64
After financing..............	$1.25

Accordingly, the pro forma balance sheet reflects the fact that the equity of the purchasers of the 500,000 shares will, from an accounting point of view, suffer a dilution of $4.33 per share representing the difference between the net proceeds to the Company of $5.58 per share and the net tangible book value after the financing of $1.25 per share.

Material Contracts

The Company has entered into material contracts for the leasing of equipment, for the borrowing of money and for the rental of premises, but these are considered to be in the normal course of business.

Particulars regarding other material contracts entered into by the Company within the two years preceding the date hereof, are contained in this prospectus under the following headings:

1. The Underwriting Agreement, under the heading "Underwriting".
2. The Incentive Stock Option Plan, under the heading "Stock Options".
3. The time-sharing agreement, under the heading "Time-Sharing".
4. The non-competition agreement, under the heading "Competition".

Copies of these agreements may be inspected at the head office of the Company, 44 King St. West, Toronto, Ontario during ordinary business hours during the period of primary distribution of the shares hereby offered and for a period of 30 days thereafter.

Transfer Agent and Registrar

The transfer agent and registrar of the Company's shares is The Royal Trust Company at Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Auditors

The auditors of the Company are Touche, Ross, Bailey & Smart, Chartered Accountants, 200 University Avenue, Toronto, Ontario.

Legal Matters

Legal matters in connection with the creation, issue and sale of the 500,000 shares offered by this prospectus will be passed upon on behalf of the Underwriter by Messrs. Blake, Cassels & Graydon, Toronto, and on behalf of the Company by Messrs. Shibley, Righton & McCutcheon, Toronto, on whose opinions as to certain matters counsel for the Underwriter will rely.

Purchasers' Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1966 (Ontario), sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and sections 63 and 64 of The Securities Act, 1968 (Manitoba) provide, in effect, that where a security is offered to the public in the course of primary distribution, in certain events and subject to certain conditions:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or amended final prospectus offering such security is received or is deemed to be received by him or his agent; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, if the final prospectus or any amended final prospectus offering such security, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such final prospectus or amended final prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above while still the owner of the security and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission based on non receipt of a prospectus must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Greyhound Computer of Canada Ltd.

(Incorporated under the Canada Corporations Act)

Balance Sheet and Pro Forma Balance Sheet
April 30, 1969

Assets	Balance Sheet	Pro Forma Balance Sheet (Note 1)
Cash	$ 342,192	$ 342,192
Rentals Receivable	29,605	29,605
Computer Rental Equipment, at cost (Notes 3 and 5)	$17,051,572	$17,051,572
Less accumulated depreciation	338,737	338,737
	$16,712,835	$16,712,835
Other Assets and Deferred Charges	29,998	29,998
	$17,114,630	$17,114,630
Liabilities and Shareholders' Equity		
Short-Term Liabilities:		
Demand bank loan	$ 2,500,000	$ —
Accounts payable and accruals	146,793	146,793
Accounts payable—computer rental equipment	129,524	129,524
Rentals received in advance	319,210	319,210
Notes payable to Greyhound Computer Corporation (Note 4)	4,400,000	4,400,000
Current portion of long-term obligations	242,693	242,693
	$ 7,738,220	$ 5,238,220
Long-Term Obligations (Note 5):		
Loans payable to banks	$6,200,000	$ 5,935,000
Equipment purchase contracts	1,115,336	1,115,336
	$ 7,315,336	$ 7,050,336
Less current portion included above	242,693	242,693
	$ 7,072,643	$ 6,807,643
Deferred Income Taxes (Note 6)	$ 41,350	$ 28,350
Shareholders' Equity (Notes 7 and 8):		
Capital stock, without par value:		
Authorized—6,000,000 shares		
Issued and fully paid—3,500,000 shares (4,000,000 pro forma)	$ 2,224,250	$ 5,014,250
Retained Income	38,167	26,167
	$ 2,262,417	$ 5,040,417
	$17,114,630	$17,114,630

Approved on behalf of the Board

(Signed) G. B. Clarke, Director (Signed) N. Crawford, Director

See notes to financial statements.

Greyhound Computer of Canada Ltd.

Income Statement

	From July 19, 1968 (Date of incorporation) to December 31, 1968	Four Months ended April 30, 1969
INCOME	$ 51,197	$ 774,044
COSTS AND EXPENSES:		
Depreciation	$ 20,009	$ 318,728
Interest	—	205,901
Selling, general and administrative	76,800	124,286
	$ 96,809	$ 648,915
INCOME (LOSS) BEFORE PROVISION FOR DEFERRED INCOME TAXES	$ (45,612)	$ 125,129
PROVISION FOR DEFERRED INCOME TAXES (Note 6)	—	41,350
NET INCOME (LOSS) FOR THE PERIOD	$ (45,612)	$ 83,779

Statement of Retained Income (Deficit)

BALANCE, beginning of period	$ —	$ (45,612)
NET INCOME (LOSS) FOR THE PERIOD	(45,612)	83,779
BALANCE, end of period	$ (45,612)	$ 38,167

Statement of Source and Use of Funds

SOURCE OF FUNDS:		
From operations (see below)	$ —	$ 443,857
Issuance of capital stock	2,043,438	180,812
Notes payable to Greyhound Computer Corporation	1,284,018	3,115,982
Bank borrowings	—	8,700,000
Equipment purchase contracts	—	1,115,336
Accounts payable and accruals	9,350	137,443
Accounts payable—computer rental equipment	—	129,524
Rentals received in advance	—	319,210
	$3,336,806	$14,142,164
USE OF FUNDS:		
For operations (see below)	$ 25,603	$ —
Expenditures for computer rental equipment	3,256,203	13,795,369
Increase in rentals receivable	28,055	1,550
Other assets and deferred charges	15,905	14,093
	$3,325,766	$13,811,012
INCREASE IN CASH	$ 11,040	$ 331,152
FUNDS FROM (FOR) OPERATIONS:		
Net income (loss)	$ (45,612)	$ 83,779
Depreciation not requiring use of funds	20,009	318,728
Deferred income taxes	—	41,350
	$ (25,603)	$ 443,857

See notes to financial statements.

Greyhound Computer of Canada Ltd.

Notes to Financial Statements

April 30, 1969

1. Pro Forma Balance Sheet:

The pro forma balance sheet at April 30, 1969 gives effect to the issue and sale, pursuant to an underwriting agreement dated June 17, 1969 between the Company and Greenshields Incorporated, of 500,000 treasury shares of the Company for a cash consideration of $2,790,000. The pro forma balance sheet assumes that such funds will be used to reduce bank borrowings after the payment of share issue expenses estimated at $25,000, which have been charged to retained income, net of related income taxes.

2. Accounting Methods:

Computer equipment rentals under lease contracts are recorded as income on a monthly basis. Lease acquisition costs are expensed when incurred.

3. Computer Rental Equipment and Related Lease Contracts:

All computer rental equipment is IBM System/360 and its cost is depreciated on a straight-line basis over a ten year life with a residual value of 10% of cost. Most leases are for non-cancellable terms of one to three years, and lease payments over the non-cancellable terms are less than the company's investment in the related computer equipment. At April 30, 1969, future rentals receivable during the non-cancellable term of leases amounted to approximately $4,800,000.

4. Notes Payable to Greyhound Computer Corporation:

These notes are payable in United States dollars which have been converted at current exchange rates and are evidenced by notes due 90 days after demand. To date, no demand has been made. The interest rate on these notes is ½ of 1% over the prime rate charged to Greyhound Computer Corporation from time to time by its principal banker. At April 30, 1969 the interest rate was 8%. The Company may prepay these obligations without penalty. Greyhound Computer Corporation has agreed with one of the banks mentioned in Note 5 that the Company will not repay any present or future indebtedness or liabilities to it without the bank's prior written consent, such consent not to be unreasonably withheld.

5. Long-Term Obligations:

Loans payable to banks are borrowed under revolving credit agreements totaling $10,000,000, at an interest rate of ½ of 1% over the Canadian prime bank rate. At April 30, 1969 the interest rate was 8%. So long as the Company maintains the required borrowing base (calculated by applying a reducing percentage to computer rental equipment cost and deducting balances payable under related equipment purchase contracts), no repayment is required. Accordingly, no portion of the loans is classified as current at April 30, 1969. However, indebtedness to any or all such banks not renewed at May 31, the annual renewal date, becomes payable to such bank or banks over a term of three years. Similarly, if Greyhound Computer Corporation should become unable to provide a satisfactory guarantee, repayment is required over a three year period.

The Company has contracted in each of the revolving agreements that it will grant security, at the request of the banks, on its computer equipment or leases and that it will not otherwise encumber its computer equipment (other than purchase money mortgages) or leases in Canada.

Equipment purchase contracts are payable over four years with interest rates ranging from 8½% to 9%. Title to equipment with a net book value of $1,500,000 is retained by the vendor until the purchase price is fully paid. Annual instalments on equipment purchase contracts during each of the next four years are $242,693, $268,779, $294,860 and $309,004, respectively.

6. Deferred Income Taxes:

For income tax purposes depreciation is reported on a basis different from the financial reporting basis. As a result, income taxes are not currently payable. Provision has been made for deferred income taxes relating to timing differences between depreciation reported for tax purposes and the depreciation reported herein.

The provision for the four months ended April 30, 1969 reflects a tax reduction of $23,700 resulting from the book loss carried forward from 1968.

7. Capital Stock:

By Supplementary Letters Patent dated April 30, 1969, the authorized capital was reduced by cancelling 1,250,000 authorized and unissued shares, the remaining 3,750,000 authorized and the 2,187,500 issued shares were subdivided on the basis of 1.60 shares for each share, and the Company was converted into a public Company. The accompanying financial statements give effect to the subdivision of shares.

8. Stock Option Plan:

The Company has a stock option plan providing for the granting of options to officers and key employees to purchase a maximum of 150,000 shares at a price per share of 100% of the market value on the date of grant. Options become exercisable in four equal annual instalments commencing one year after the date of grant, and expire five years from the date of the grant. No options have been granted to date.

9. Commitments to Purchase Computer Rental Equipment:

At April 30, 1969, the Company had entered into commitments to purchase computer rental equipment costing approximately $1,300,000.

10. Lease Commitments:

The Company has contractual obligations in respect of long-term leases of real property aggregating $51,000, $46,000, $48,000, $48,000, and $48,000 respectively in the five years following April 30, 1969. Rents paid during the period from July 19, 1968 (date of incorporation) and December 31, 1968 and for the four months ended April 30, 1969 were $3,500 and $4,500 respectively.

The Company has agreed to lease computer equipment for a one year term with rentals of approximately $50,000 per month. Delivery is expected late in 1969.

Auditors' Report

The Directors
Greyhound Computer of Canada Ltd.

We have examined the balance sheet and pro forma balance sheet of Greyhound Computer of Canada Ltd. as at April 30, 1969 and the statements of income, retained income (deficit), and source and use of funds for the period from July 19, 1968 (date of incorporation) to December 31, 1968, and for the four months ended April 30, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

(a) The accompanying balance sheet presents fairly the financial position of the company as at April 30, 1969;

(b) The accompanying pro forma balance sheet presents fairly the financial position of the company as at April 30, 1969 after giving effect to the transactions set forth in Note 1 to the financial statements;

(c) The accompanying statements of income, retained income (deficit), and source and use of funds present fairly the results of the company's operations and the source and use of funds for the period from July 19, 1968 (date of incorporation) to December 31, 1968 and for the four months ended April 30, 1969;

all in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario.
June 17, 1969.

(Signed) Touche, Ross, Bailey & Smart
Chartered Accountants

Toronto, Ontario, June 17, 1969

Certificate of the Company and the Promoter

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, 1967 (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, 1966 (Ontario), Part VII of The Securities Act, 1968 (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

(Signed) G. B. Clarke
President

(Signed) E. McCormack
Treasurer

On behalf of the Board of Directors

(Signed) J. S. Campbell
Director

(Signed) N. Crawford
Director

Directors

Robert Lionel Borden
William Carroll Bumpers
James Stenseth Campbell
Gordon Bradshaw Clarke
Howard Noel Crawford
John Henderson Moore
Gerald Hough Trautman

By his signature affixed below the undersigned has, pursuant to powers of attorney duly executed, signed this Prospectus on behalf of all the Directors of the Company listed above.

(Signed) G. B. Clarke

Promoter

Greyhound Computer Corporation

By: (Signed) J. S. Campbell

Certificate of the Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, 1967 (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, 1966 (Ontario), Part VII of The Securities Act, 1968 (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

GREENSHIELDS INCORPORATED

By: (Signed) E. Duff Scott

The following includes the names of every person having an interest, either directly or indirectly to the extent of not less than 5% in the capital of Greenshields Incorporated: Peter Kilburn, Viscount Hardinge, Dudley Dawson, J. E. Brookes and W. T. Moran.

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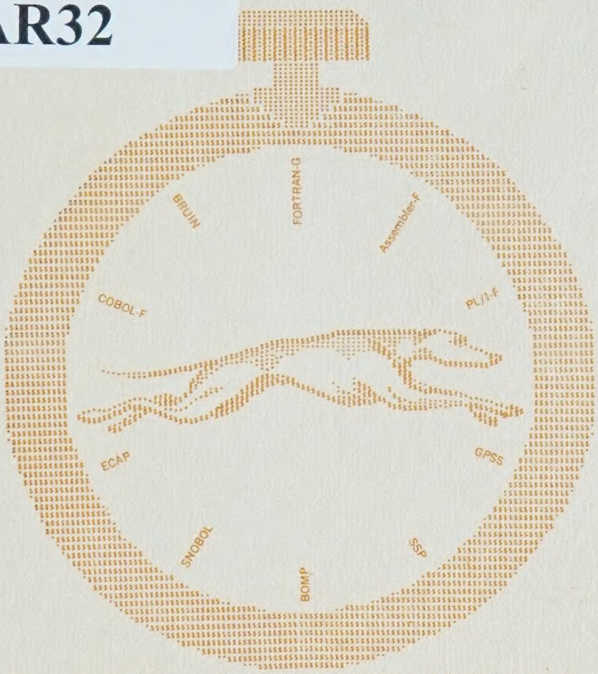

Top dog in time-sharing with IBM/360 Model 67.

HEAD OFFICE AND CENTRAL REGION:
Greyhound Computer Building
65 Adelaide Street East
Toronto 1, Ontario
(416) 366-1513

OTTAWA BRANCH AND DATA CENTRE:
Greyhound Computer Building
1740 Woodward Drive
Ottawa 5, Ontario
(613) 729-5137

EASTERN REGION:
1001 Place du Canada
Montreal 101, Quebec
(514) 866-3475

GREYHOUND COMPUTER OF CANADA LTD.

GREYHOUND COMPUTER OF CANADA LTD

MID-YEAR REPORT 1969

GREYHOUND COMPUTER OF CANADA LTD.

August 12, 1969

To our Shareholders:

This is the first progress report of the company since our recent issue of shares to the public and I am pleased to announce the results for the six months ended June 30, 1969.

Revenue for the six months was $1,425,448, pretax earnings were $217,630 and, after making provision for deferred income taxes, our net earnings were $128,180.

No comparisons with last year can be made as the company only commenced operations in September of 1968.

Profits would have been still higher than indicated but for the following factors;

(a) Increases in the bank rate of interest during the period;

(b) Pre-operating costs for our data centre in Ottawa;

(c) Start-up costs for our time-sharing services.

Expenses of the recent stock issue of the company, the closing date of which was July 2, 1969, have not been reflected in the results for the six months.

The company now owns more than $20 million of computer equipment and numbers among its customers some of Canada's leading corporations as well as Provincial and Federal Government departments. Two of our most recent customers are the Government of British Columbia and the National Research Council.

We are affiliated with Greyhound Computer Corporation and The Greyhound Corporation group of companies in the United States and the United Kingdom.

To consolidate our various departments and to provide for expansion we have recently completed negotiations for our own building on Adelaide Street in the downtown core of Toronto.

For those of our Shareholders who may not be fully aware of the services provided by the company, the following outline will be of interest:

1. Leasing of computer equipment — the company purchases computers (IBM 360 models) and leases them to its customers.
2. Time-Sharing — the company provides a complete time-sharing service based on the large-scale IBM 360 Model 67 equipment. This service is the most advanced now available and provides almost unlimited core capacity.
3. Data Centres — the first in our planned network of data centres opened for business in Ottawa this month using IBM 360 equipment.
4. Marketing of peripheral equipment — disc drives manufactured for the company by General Electric are being marketed as a replacement for IBM Model 2311 disc drives.

The company also plans to become involved in project management, programme preparation and other computer services as opportunities arise.

We are fortunate in having obtained the services of a strong professional group of key employees. Supported by the resources and experience of our parent company they will continue to make a substantial contribution to our leadership in the dynamic and fast-moving computer services field in Canada.

GBC

Gordon B. Clarke
President & Chief Executive Officer

Statement of Earnings
Six months ended June 30th, 1969
(unaudited)

Revenue		$1,425,448
Depreciation	$593,705	
Interest	410,439	
Other expenses	203,674	1,207,818
Earnings before Income Taxes		217,630
Provision for Deferred Income Taxes		89,450
Net Earnings		$ 128,180